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Ch/E Att: 25X1A9A

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Chief, D/I

Long-Range Economic Vulnerabilities

1. In compliance with the request of [REDACTED], I am submitting some considered opinions of this Division with respect to long-range economic vulnerabilities. We have attempted to focus these as they concern this Division; however the principle would appear to apply to the total problem.

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Economic Vulnerabilities

1. The principal economic vulnerability of the Soviet Bloc is the relatively low total production capability. It is quite clear that one of the primary objectives of the USSR is to increase this total capability by capital investment in the basic means of production. The objective of increasing basic investment requires a large portion of the limited total production and must compete with much more immediate demands for these means of production. These immediate demands are:

- a. Current living requirements of the people
- b. Governmental and party operation requirements
- c. Military requirements for internal security, defense, and aggression.

Any aid--material or technical--which is made available to the USSR through trade, conquest or training can be used to supplement the output of the scarce total productive capacity and will permit more to be devoted to this long-run objective

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of growth. Supplies of "nonstrategic" goods which may be received by the USSR from the "outside" supplant the need for domestic production of these items and permits the transfer of some economic resources to the long-run objectives of growth. A supplementary supply of food reduces the immediate requirements for labor and agricultural machinery for the production of these agricultural items and permits the transfer of these factors of production to other less immediate uses, such as the long-run objective of capital investment. Such action will permit the USSR to attain its goals of capital accumulation more rapidly and will put the USSR in a better economic position for economic, military, or political warfare.

It is realized that any immediate action to exploit this vulnerability by making the USSR devote larger portions of its economic strength to immediate rather than long-run requirements may be politically impossible at the present time; however it must be emphasized that because of the general transferability of economic resources (especially in the long run), the key economic vulnerability of the Soviet Bloc is the low level of its total economic capabilities.

2. Shortage vulnerabilities: In countries where the economic resources and output are extremely limited--especially in the consumer goods field--unusually critical shortages that exist may be aggravated or even created. What is necessary is to follow very carefully the existing and future supplies of certain critical commodities. Where it is apparent that there will be shortages or tight supplies of these commodities, it would be profitable to curtail or delay supplies of these commodities from the "outside" and then stimulate fear-buying and hoarding of these commodities by rumor of still farther shortages. Discontent can further be stimulated by insuring that an adequate supply of these commodities is available in the peripheral countries. It is understood that some of this supply in the neighboring countries will filter into the shortage areas--probably by illegal means; this is desirable also because it may encourage further disrespect for the existing authority and violations of the law. This vulnerability would probably be more easily exploited in the less reliable Satellites.

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